

TO: State Directors, Rural Development

ATTN: Business and Cooperative Program Directors

SUBJECT: Value-Added Producer Grant Program
Rental or Purchase of Special Purpose Equipment

PURPOSE/INTENDED OUTCOME:

To provide guidance to State Offices regarding a clarification in the Agency's interpretation of the following definition of Fixed Equipment:

“Tangible personal property used in trade or business that would ordinarily be subject to depreciation under the Internal Revenue Code, including processing equipment but not including property for equipping and furnishing offices, such as computers, office equipment, desks, or file cabinets.”

As Value-Added Producer Grant (VAPG) applicants explore an increasingly “diverse array of projects,” the Agency has become aware that the conduct of eligible activities related to planning grants sometimes requires the use of certain types of technical equipment. The cost of this equipment would not be allowable under the definition of “fixed equipment” given above, if it is normally subject to depreciation. However, where its use is limited to a specific technical purpose for a finite period of time, this equipment would also not be considered “property used in trade or business.” An example is the use of wind anemometry equipment and meteorological towers to gather wind speed data necessary in the conduct of wind power feasibility studies. These structures are erected on a temporary basis to collect data for a period of usually 12 to 18 months and are typically not retained by the applicant once the feasibility study has been completed.

Therefore, given the nature, purpose, and duration of use of some types of equipment used in the conduct of VAPG planning activities, the Agency is clarifying its interpretation of the definition of Fixed Equipment to allow rental or purchase of special purpose or special testing equipment

EXPIRATION DATE:
May 31, 2009

FILING INSTRUCTIONS:
Preceding RD Instructions 4284-A

(and associated installation costs) that is not otherwise used in the applicant's trade or business. The Agency believes this position is in accordance with the Office of Management and Budget's (OMB) cost principles for non-profit organizations found at 2 CFR 230.15 that allows for rental or purchase of "special purpose equipment" for certain activities, including "technical activities;" and with the cost principles for for-profit entities found in the Federal Acquisition Regulation at 48 CFR 32.205-40, which governs the cost of "special test equipment."

Accordingly, for planning grants under the VAPG program and in accordance with OMB cost principles found at 2 CFR 230.15 and 48 CFR 31.205-40, the rental or purchase of "special purpose" or "special test" equipment is an allowable cost provided that items are used only for allowable purposes specified in the planning grant project proposal. Further, the purchase or rental of such items having a unit cost of \$5,000 or more must receive prior approval of the Agency.

COMPARISON WITH PREVIOUS AN:

There is no previous AN on this subject.

IMPLEMENTATION RESPONSIBILITIES:

Beginning in the 2008 funding cycle, the State Offices will consider special purpose equipment as defined at 2 CFR 230.1 (pertaining to non-profit entities) or special testing equipment as defined at 48 CFR 31.205-40 (pertaining to for-profit entities) as allowable costs for VAPG planning grants only.

(Signed by Ben Anderson)

BEN ANDERSON
Administrator
Business and Cooperative Programs